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RUEHNK/AMEMBASSY NOUAKCHOTT PRIORITY 0906  
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RUEHRB/AMEMBASSY RABAT PRIORITY 8431  
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RUEATRS/DEPT OF TREASURY WASHINGTON DC PRIORITY  
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C O N F I D E N T I A L SECTION 01 OF 04 TUNIS 001202

SIPDIS

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STATE FOR EEB (DIBBLE), NEA/MAG (HOPKINS AND HARRIS)  
STATE PASS USTR (BURKHEAD) AND USAID (MCLOUD)  
USDOC (VINEYARD), ITA/MAC/ONE (NATHAN MASON), ADVOCACY CTR  
(JAMES), AND CLDP (TEJTEL AND MCMANUS)  
USDOC PASS USPTO (ADAMS, BROWN AND MARSHALL)  
CASABLANCA FOR FCS (ORTIZ)  
CAIRO FOR FINANCIAL ATTACHE (SEVERENS)  
LONDON AND PARIS FOR NEA WATCHER

E.O. 12958: DECL: 08/30/2007  
TAGS: [ETRD](#) [EINV](#) [EAIR](#) [KIPR](#) [BEXP](#) [EFIN](#) [TS](#)  
SUBJECT: SCENESSETTER FOR ECONOMIC DELEGATION

REF: A. TUNIS 1136

[¶](#)B. TUNIS 959

Classified By: Ambassador Robert F. Godec for Reasons 1.4 (b) and (d).

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Summary  
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[¶](#)1. (SBU) Embassy Tunis warmly welcomes PDAS Elizabeth Dibble, DAS Holly Vineyard, Elizabeth Hopkins, Paul Burkhead, and Alex Severens to Tunis from September 9 - 12, 2007. After a productive roundtable with the GOT and private sector on a US-Tunisia Free Trade Agreement and a series of Ambassadorial meetings with GOT ministers clamoring for increased US trade and investment, the time is right to press for further economic reform in Tunisia. As the GOT aims to double per capita income and reduce unemployment, we have an excellent opportunity to emphasize that economic reform will help attract the US trade and investment necessary to achieve these ambitious targets. Your visit will not only capitalize on recent GOT enthusiasm to reinvigorate our economic engagement, but could set the stage for Minister of Development and International Cooperation Nouri Jouini's October visit to Washington, DC, the Tunisian-American Chamber of Commerce's October Door Knock Mission, and the planned November business delegation to Tunisia. This signal of our total economic engagement in Tunisia will help translate GOT statements of interest into tangible commitments. Focus on economic reform and governance would also provide another avenue for us to promote the broader Freedom Agenda, including political reform. END SUMMARY.

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Socio-Economic Context  
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[¶](#)2. (SBU) Tunisia proudly -- and justifiably -- calls itself a "country that works." Despite Tunisia's relatively small

economy and lack of natural resources, the Tunisian government provides basic education, health care, housing and a workable infrastructure to its population. Tunisian women enjoy more rights and opportunities than in any other Arab Muslim country. As a result of these policies, the majority of Tunisians is generally moderate and desires a government intent on modernizing the country and integrating it fully into the world economy.

**¶3. (U)** Tunisia has the most diversified economy in the region and enjoys one of the highest standards of living on the continent. The country does not have vast reserves of hydrocarbons like its neighbors Algeria and Libya but has prospered under long-standing government policies to develop manufacturing industries for export and to promote tourism. The Government of Tunisia also seeks to attract foreign direct investment and strengthen its traditional agricultural sector. Thanks to these policies, Tunisia's economy has maintained average annual growth rates of almost five percent over the past ten years. At the same time, social programs limit population growth, provide a high standard of education, and ensure a relatively decent standard of living for all. Average annual per capita income is approximately US \$3000.

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#### Challenges for the Tunisian Economy

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**¶4. (C)** Even as Tunisia can justifiably trumpet its economic success, the slow pace of reform -- both economic and political -- is beginning to take a toll on the economy. While the GOT undertook liberal economic reforms under an IMF structural adjustment program in the mid-eighties, rigid

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state control and the continued protection of key sectors have created an anemic private sector with low levels of investment. The Tunisian economy continues to post positive growth rates, but a persistently high unemployment rate is a cause for concern for a government that touts its image as a development success story. The planned 2008 implementation of the Association Agreement with the European Union is yet another challenge looming on the horizon, opening Tunisia's currently protected companies to competition from often more efficient EU producers.

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#### Our Agenda

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**¶5. (C)** Your visit provides an opportunity to reinvigorate our economic engagement in Tunisia by outlining a long-term vision for US-Tunisian economic relations. Liberalization of the Tunisian economy is in Tunisia's best interest and will help to attract the US trade and investment necessary for Tunisia reach its 11th Plan targets. Your meetings can not only to highlight specific concerns, but also emphasize our continued interest in Tunisia and help re-energize the TIFA process. Recent statements by GOT Ministers and, most notably, Ben Ali himself indicate that there is a consensus within the GOT that Tunisia must support economic engagement with the United States. We have requested meetings with the Prime Minister, Minister of Foreign Affairs, Minister of Development and International Cooperation, Minister of Health, Minister of Transportation and Minister of Commerce.

-- TIFA and FTA: Following the 2005 TIFA Council meetings, there has been little forward progress on outstanding impediments to bilateral trade and investment. Re-starting the TIFA meetings would provide an avenue to address these longstanding issues and would also highlight continued USG interest in Tunisia. This visit provides an opportunity to translate recent GOT statements of support into tangible commitments. Your meetings with Minister Jouini and other GOT officials can pave the way for Minister Jouini's October

visit to Washington, DC and set the stage for the next round of TIFA meetings.

-- IPR: Although the GOT has taken positive steps to address intellectual property right protection, more work remains to be done to prevent the retail sale of pirated optical disks and protect US pharmaceutical products. In January, the GOT suspended the "correlation system" which excluded drugs manufactured abroad in favor of locally produced generics; however, drugs placed on the list of correlated drugs prior to the suspension continue to be excluded from the marketplace. Removing US pharmaceutical products from this exclusionary list is our top IPR priority. We have requested a meeting with the Minister of Health to reiterate our continuing concern with this issue.

-- Franchising: GOT restrictions on franchising have not only prevented familiar name brands from entering the market, but also hinder the operations of companies such as ExxonMobil that are already present in Tunisia. Minister Jouini told the Ambassador Tunisia is prepared to permit franchising. Recently, working-level contacts at the Ministry of Commerce have confirmed that a franchising law is in the works and may be completed by the end of this year. Your meetings with Minister Jouini and Minister of Commerce Zenaidi will provide an opportunity to emphasize the positive impact on investment and job creation to help to push this to fruition. You may also wish to highlight the issues that must be addressed by any franchising legislation.

-- Open Skies: During an August 20 meeting with CODEL Costello (Ref A), Minister of Transportation Abderrahim Zouari stated that President Ben Ali had instructed the

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Ministry to finalize a direct aviation line with the United States and that the Embassy would receive a response to its draft text shortly. Zouari noted that the GOT agrees on the "broad lines" of the agreement. We hope your visit will produce a firm commitment to negotiate.

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Political Overview  
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16. (SBU) Tunisia is a constitutional republic with a population of approximately 10 million, dominated by a single political party, the Democratic Constitutional Rally (RCD). Zine El Abidine Ben Ali has been the president since 1987. Although three opposition parties fielded candidates in the October 2004 presidential election, official results indicated that President Ben Ali won approximately 94 percent of the registered popular vote. The official turnout was reportedly higher than 90 percent of registered voters, although there were indications that voter turnout figures were fraudulently inflated. Tunisia has a bicameral legislature. In addition to the Chamber of Deputies, a second legislative body, the Chamber of Advisors, was created in a 2002 referendum amending the Constitution. The legislature plays a limited role as an arena for debate on national policy but never introduces legislation and virtually always passes bills presented by the Executive with only minor changes. National elections - both presidential and legislative - will be next held in 2009.

17. (SBU) Political liberties remain tightly controlled and civil society development is stifled. Tunisia's sluggishness on political reform has been a point of contention in the US-Tunisian relationship in recent years. Although President Ben Ali has introduced some positive political reforms in the past two years (pardoning some political prisoners, lifting a form of censorship for print media, registering a new political party and independent media outlets), civil society and human rights groups remain deeply cynical and continue to report many instances of government harassment, intimidation, and limits on their activities. Journalists reject the

suggestion that press censorship has ended and local media usually lacks any meaningful coverage of domestic political issues. In the 2006 Reporters Without Borders Worldwide Press Freedom Index, Tunisia was ranked 148 out of 168 countries.

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Advancing the Freedom Agenda  
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¶8. (C) Advancing the President's Freedom Agenda remains our top priority despite GOT resistance to our efforts to promote democratic reform and respect for human rights. Economic freedom is an important component of the Freedom Agenda goals -- and one that meets with less resistance. Although Tunisia has achieved an impressive level of economic development, lingering unemployment and rising inflation indicate that problems remain. The economic realm provides an area for positive engagement and mutual benefit and underscores that the dialogue we seek with the GOT is not limited to political reform. Strengthening the economic relationship between our two countries will also increase our influence in Tunisia, creating leverage that can be used to further our broader Freedom Agenda goals. The GOT recognizes that delivering continued economic growth is an imperative in the social contract between this government and the Tunisian people. Leveraging the GOT's desire for trade and investment is an effective tool in our arsenal to promote reform and good governance.

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Security Situation

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¶9. (SBU) The Government of Tunisia remains concerned about signs of increasing Islamic extremism and considers national security as one of its major priorities. There is a threat of terrorism in Tunisia, particularly in light of the recent establishment of al-Qaeda in the Islamic Maghreb (AQIM). In January 2007, the Government of Tunisia announced that Tunisian security forces disrupted a terrorist group in December 2006/January 2007, killing or capturing many individuals who reportedly planned to carry out acts of violence in Tunisia. The US Embassy in Tunis was reportedly among the group's intended targets. In 2002, a faction of al-Qaeda claimed responsibility for an attack on the Ghriba synagogue on the southern island of Djerba, the first al-Qaeda related terrorist attack after September 11.  
GODEC